

Message Text

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ACTION PM-03

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EO 11652: GDS

TAGS: MASS

SUBJ: SECURITY ASSISTANCE PROGRAM FY 1977-81

REF: STATE 015489

1. SECURITY ASSISTANCE PLANNED FOR CHILE, LIKE ALL SUCH PROGRAMS SINCE 1968, INCLUDES GRANT AID TRAINING AND FMS CREDIT. ALTHOUGH THEY BOTH CONTRIBUTE TO THE ACCOMPLISHMENT OF THE SAME OBJECTIVES, THEY ARE NOT INTERDEPENDENT. EXCEPT FOR THE RECENT PAST, WHEN FULL IMPLEMENTATION OF SECURITY ASSISTANCE HAS NOT BEEN POSSIBLE, THE PROGRAMS HAVE BEEN VERY EFFECTIVE.
2. RECOGNIZING THE INESCAPABLE LINKAGE BETWEEN MILITARY ASSISTANCE FOR CHILE AND THE HUMAN RIGHTS ISSUE AND WITHOUT MINIMIZING THE IMPORTANCE OF THE LATER, WE ARE RECOMMENDING IN THE NEW CASP THAT OUR SECURITY ASSISTANCE PROGRAMS AND PLANS BE IMPLEMENTED AS SOON AS POSSIBLE. THE RATIONALE FOR THAT RECOMMENDATION INCLUDES THE FOLLOWING CONSIDERATIONS:

A. THERE IS A POTENTIAL FOR CONFLICT BETWEEN CHILE AND PERU. THE CONGRESSIONAL BAN ON MILITARY ASSISTANCE TO CHILE TENDS TO INCREASE THE PROBABILITY OF SUCH CONFLICT AS CHILE'S DEFENSIVE CAPABILITY DECREASES, BOTH RELATIVELY

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AND ABSOLUTELY. CONVERSELY, STRENGTHENING THE CHILEAN

DEFENSIVE CAPABILITY TO THE RELATIVELY MODERATE DEGREE
NEEDED TO DETER A PERUVIAN ATTACK IS PROBABLY THE GREATEST
CONTRIBUTION THE U.S. CAN MAKE TOWARD MAINTAINING PEACE
IN THE REGION.

B. CONTINUING THE ARMS BAN PAST THE END OF THIS FISCAL
YEAR COULD BE EXPECTED SERIOUSLY TO ERODE THE FAVORABLE DIS-
POSITION OF THE MILITARY GOVERNMENT OF CHILE TOWARDS THE U.S.
BEYOND THE IMMEDIATE AND STRONG SIGNAL TO THE GOC THAT WE ARE
NOT CONCERNED ABOUT ITS PROBLEMS OR SYMPATHETIC TO ITS VITAL
NEEDS, THE CESSATION OF MILITARY TRAINING WOULD INTERRUPT
A PROCESS WHICH HAS BEEN IMPORTANT TO THE CREATION AND MAINT-
ENANCE OF VALUABLE MILITARY RELATIONSHIPS HERE OVER MANY YEARS.

C. ANY LEVERAGE WHICH WE MAY DERIVE FROM WITHHOLDING OF
MILITARY ASSISTANCE WILL EITHER HAVE BEEN EFFECTIVE BY THE END
OF FISCAL YEAR 1975 OR WILL PROBABLY BE EVEN LESS EFFECTIVE
THEREAFTER IN SECURING MODERATION OF THE OBJECTIONABLE PRACTICES.
THERE IS NO DOUBT THAT GOC IS AWARE OF THE STATED REASONS OF
THE CONGRESS IN CUTTING OFF MILITARY ASSISTANCE; THE POINT HAS
BEEN REPEATEDLY MADE, AND THE LEADERS PROFESS TO COMPREHEND IT.
IF WE ARE TO ADVISE THE GOC NOW THAT WE WOULD RENEW CASH SALES
1 JULY 1975 AND SIMULTANEOUSLY POINT OUT IN THE STRONGEST TERMS
WE CAN EXPECT THE CONGRESS TO ACT EVEN MORE DECISIVELY
AGAINST CHILE, WE COULD EXERT A COMBINATION OF REWARD AND
THREAT WHICH MIGHT BE EFFECTIVE. IF, ON THE OTHER HAND,
THE U.S. WERE TO CONTINUE THE ARMS BAN, THERE MIGHT VERY
WELL DEVELOP A "BACKLASH" EFFECT WHICH WOULD INCLUDE A HARD-
ENING ON THE HUMAN RIGHTS ISSUE AS WELL AS PUSH THE GOC
INTO SOME LESS THAN DESIRABLE AND PROBABLY EXCESSIVELY COSTLY
THIRD COUNTRY MILITARY PURCHASES.

D. FINALLY, THE CHILEAN MILITARY FORCES DESPERATELY NEED
SUPPLIES AND EQUIPMENT WHICH THEY CANNOT GET FROM OTHER
SOURCES. THEY HAVE LONG SINCE RECOGNIZED (AND THE U.S.
COUNTRY TEAM HAS CONSISTENTLY SUPPORTED) A NEED FOR MODERNIZATION
AND STANDARDIZATION OF EQUIPMENT AT A MODERATE AND REASONABLE
RATE. THAT MODERATE AND REASONABLE MODERNIZATION, THE
POTENTIAL CONFLICT
WITH PERU ASIDE, HAS NOW BEEN INTERRUPTED

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WITH COSTLY AND HIGHLY FRUSTRATING RESULTS. OUR BEST PROSPECT
FOR AVOIDING A DAMAGING COMPETITION FOR MILITARY POWER IN
THE REGION LIES IN SUPPORTING FULLY SUCH GRADUAL AND PLANNED
MODERNIZATION PROGRAMS WHICH IT IS BELIEVED CHILE IS
STILL PREPARED TO PURSUE.

3. WE EXPECT THE IMPACT OF OTHER ECONOMIC ASSISTANCE PROGRAMS
ON SECURITY ASSISTANCE REQUIREMENTS WILL BE MINIMAL. ASSUMING

RESUMPTION OF U.S. MILITARY ASSISTANCE, THERE IS NO REASON TO BELIEVE THAT GOC WILL SIGNIFICANTLY INCREASE DEFENSE ALLOCATIONS FROM THE 1975 BUDGET FIGURE OF 7.5 PERCENT OF GDP, ESPECIALLY SINCE EVEN OPTIMISTIC FORECASTS ENVISION AN UNFUNDED BALANCE OF PAYMENTS DEFICIT ON THE ORDER OF 200 TO 250 MILLION DOLLARS. ON THE OTHER HAND, THE IMPACT OF SECURITY ASSISTANCE ON ECONOMIC PROGRAMS WILL BE LIMITED IN THAT THE EFFECT COULD ONLY AMOUNT TO ABOUT 20 MILLION IN BUDGET SUPPORT. A CONTINUATION OF THE U.S. ARMS BAN, HOWEVER, COULD STIMULATE SOME "PANIC" PURCHASES FROM THIRD COUNTRIES WHICH MIGHT BE LARGE ENOUGH TO HAVE A NEGATIVE INFLUENCE ON ECONOMIC DEVELOPMENT PLANS. THERE IS NO PRESENT INDICATION THAT CHILE WILL BE OFFERED ANY SIGNIFICANT AMOUNT OF MILITARY ASSISTANCE BY OTHER COUNTRIES, ALTHOUGH BRAZIL WILL PROBABLY CONTINUE TO PROVIDE MINOR ASSISTANCE AND MORAL SUPPORT. SOME HELP COULD CONCEIVABLY BE OFFERED BY SPAIN.

4. GOC WILL CONTINUE TO REQUIRE ASSISTANCE IN BOTH GRANT TRAINING AND FMS CREDITS THROUGH THE CURRENT ECONOMIC RECONSTRUCTION PERIOD, AND WILL BE DEPENDENT FOR PROCUREMENT (FMS CASH SALE) AND TRAINING (ALSO AT LEAST PARTIALLY BY CASH SALE) FOR THE FORESEEABLE FUTURE. CHILE CANNOT PRODUCE DOMESTICALLY ANY OF ITS MOST ESSENTIAL MILITARY EQUIPMENT, AND ADVANCED TRAINING MUST BE DONE ABROAD. IN THE EMBASSY'S VIEW IT IS TO THE BENEFIT OF THE U.S. THAT CHILE MAINTAIN A DEGREE OF DEPENDENCE ON US IN THESE MATTERS AS A MEANS OF HELPING TO MAINTAIN THE RANGE OF RELATIONSHIPS WE HAVE DEVELOPED OVER THE YEARS.

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